

 *Saskatchewan
Centennial 2005*

100 YEARS OF HEART



2005-2006 PROVINCIAL BUDGET
PERFORMANCE PLAN

SASKATCHEWAN INDUSTRY
AND RESOURCES

Minister's Message

It is my pleasure to present the performance plan for Saskatchewan Industry and Resources for 2005-06 and beyond.

In January, we held the Centennial Summit in Saskatoon, which brought together representatives from the business and investment community from within Saskatchewan and across Canada along with representatives of the wider community. The Centennial Summit was an excellent way to celebrate and to mark our first century as a province at the beginning of our Centennial Year. Saskatchewan must plan for its second century by developing and implementing long-term approaches for the economy.

At the Summit, all the speakers agreed that Saskatchewan's future looks promising if residents, communities, employers, employees, and governments work in partnership to ensure the Province is able to access the emerging opportunities both locally and globally. Saskatchewan is enjoying a high rate of Gross Domestic Product (GDP) per capita coupled with low unemployment.

With the concerted efforts of private and public partners, the Saskatchewan economy is expected to show positive economic growth built on our strengths in energy, mining, manufacturing and research.

Industry and Resources will take lessons learned from the Summit and apply them as it strives to carry out its programs efficiently and effectively to benefit the provincial economy. The Department will lead the development of an updated economic development action plan for Saskatchewan, taking into account what we heard at the Summit, and continuing to consult with Saskatchewan residents. This is part of our commitment to complete the key actions identified in our performance plan and to report on progress to the people of Saskatchewan, in the Department's 2005-06 Annual Report to be released in July 2006.



Eric Cline, Q.C.
Minister of Industry and Resources

Who We Are

Saskatchewan Industry and Resources was formed in April 2002 through the amalgamation of the former Departments of Economic and Co-operative Development and Energy and Mines. The mandate is:

"To achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources; to work with business to expand the Saskatchewan economy by promoting, co-ordinating and implementing policies, strategies and programs that encourage sustainable economic growth, and to optimize revenues to fund government programs and services."

The Department has a broad range of responsibilities (more information can be found on our website at www.ir.gov.sk.ca):

- Industry and business development (to support business growth and retention through investment attraction, increased competitiveness, and the removal of regulatory and other impediments);
- Investment programs (to manage and maintain investments through the Strategic Investment Fund, Economic Partnership Agreements, Petroleum Research Initiative, Technology Commercialization, and *Invest in Saskatchewan*, the Labour-sponsored Venture Capital Corporation Program);
- Marketing and corporate services (to support strategic communication initiatives, human resources, budget and information technology management);
- Resource and economic policy (to monitor economic and market trends, policies, legislation and impacts on industry performance, and to provide analysis and recommendations on issues such as royalty/tax systems and climate change);
- Energy planning and development (to encourage responsible development, use and conservation of energy resources);
- Resource development (to stimulate optimal development of oil, gas and mineral resources and to administer Crown mineral rights);
- Resource regulation and revenue collection (to encourage timely and full collection of revenues and to ensure activities meet with environmental and regulatory obligations); and,
- Strategic initiatives (to support high priority projects such as ethanol and agri-value initiatives, the Canadian Light Source synchrotron, forest product development and support to the Saskatchewan Forest Centre).

The Department has 339 employees located in Regina and Saskatoon as well as regional resource development offices (Estevan, Swift Current, Kindersley, Lloydminster, La Ronge and, on a part-time basis, Creighton).

In fulfilling its mandate, the Department regularly liaises with a variety of economic development organizations and agencies in the Province's key resource sectors and the business community and provides limited operational funding to Neighbourhood Development Organizations (NDOs).

The NDO program provides organizational development assistance to support the development and operation of multi-purpose organizations by residents of low-income neighbourhoods, to undertake community economic development activities to address issues of poverty. There are four NDOs in Saskatchewan: Quint Development Corporation in Saskatoon, River Bank Development Corporation in Prince Albert, Community Action Co-operative (Regina) Ltd. and Connecting as Neighbours in Moose Jaw, offering a co-ordinated, co-operative approach to provincial economic development. The program is jointly co-ordinated by Industry and Resources and Saskatchewan Community Resources and Employment.

The Department also provides annual transfer payments through its budget to Tourism Saskatchewan and the Saskatchewan Trade and Export Partnership (STEP) for their independent operations. *The Tourism Authority Act* charges Tourism Saskatchewan with the responsibility to facilitate the marketing of tourism, the provision of visitor and information services, the education and training of individuals involved in the tourism industry, the planning and development of tourism destination areas, the administration of tourism funding programs (other than capital funding), research and policy development in tourism, public awareness of tourism, and the development and promotion of tourism in Saskatchewan. More information on these services can be obtained from Tourism Saskatchewan's website at www.sasktourism.com.

STEP is a unique industry-government partnership led by industry and established as a non-profit corporation to maximize commercial success in global ventures. STEP delivers export services using its team of specialists, innovative approaches and worldwide networks. STEP's Board of Directors establishes the priorities for its work. STEP is not an agent of the Province of Saskatchewan but acts on behalf of the Government of Saskatchewan with respect to certain priorities, set out with the Province for its funding, including trade development and promotion and representation at certain western-provincial and national-level committees. For more information, see the STEP website at www.sasktrade.sk.ca.

In addition, Industry and Resources provides financial support to the Petroleum Technology Research Centre, the International Test Centre for Carbon Dioxide Capture and the Prairie Adaptation Research Collaborative at the University of Regina Research Park.

Plan at a Glance

This plan continues the plan that was published last year. The plan will evolve to provide future operational direction for the Department. Activities planned for 2005-06 are outlined on the following pages and will be reported in the 2005-06 Annual Report, to be released in July 2006.

The January 2005 Centennial Summit gathered input from a wide cross-section of provincial economic, business and academic stakeholders that will help shape development of a new economic action plan. Industry and Resources officials are developing the framework plan with senior government officials and its outcomes will inform the Department's next strategic plan.

OUR VISION – An innovative, prosperous and sustainable economy supported by full participation and responsible energy and mineral development

GOAL 1

A positive environment for business

OBJECTIVE 1 – *Increase the adoption of new technologies and best practices*

Performance Measure:

- Research and development funding leveraged from non-provincial government sources through the Western Economic Partnership Agreement (WEPA)

OBJECTIVE 2 – *Facilitate business growth*

Performance Measures:

- Under development

OBJECTIVE 3 – *Increase employment in priority sectors*

Performance Measures:

- Under development

OBJECTIVE 4 – *Improve the perception of Saskatchewan as a place of opportunity*

Performance Measure:

- Percentage of Saskatchewan residents, in polling, who agree with the statement: "Saskatchewan is a great place in which to live, work, and do business"

GOAL 2

Optimal development of energy and mineral resources

OBJECTIVE 1 – *Optimized energy and mineral exploration*

Performance Measures:

- Saskatchewan's share of non-uranium mineral exploration
- Saskatchewan's share of Western Canadian conventional oil and gas exploration and development expenditures

OBJECTIVE 2 – *Increased oil and gas recovery rates*

Performance Measure:

- Percentage of oil produced in the Province due the implementation of enhanced oil recovery projects (EOR) excluding waterflood projects

OBJECTIVE 3 – *Optimized benefits from resource development*

Performance Measure:

- Percentage of the oil and gas industry's annual revenues paid to the Crown through mineral rights sales and royalty/tax systems

GOAL 3

Responsible use and delivery of energy in Saskatchewan

OBJECTIVE 1 – *Access to reliable and competitively priced energy*

Performance Measure:

- Number of electricity market participants in Saskatchewan

OBJECTIVE 2 – *Balanced response to climate change*

Performance Measures:

- Under development

OBJECTIVE 3 – *Environmental protection and public safety*

Performance Measure:

- Number of oil and gas spills reported per 1,000 wells.
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2005-06 Financial Overview

2005-06 ESTIMATES	<i>(in thousands of dollars)</i>
Central Management and Services	\$8,076
Investment Programs	17,706
Industry Development	7,520
Mineral Revenues	2,231
Petroleum and Natural Gas	5,367
Exploration and Geological Services	4,642
Resource and Economic Policy	2,398
Tourism Saskatchewan	7,892
Saskatchewan Trade and Export Partnership	2,791
Total Appropriation	\$58,623
Capital Acquisitions	(860)
Amortization	4,622
Total Expenses	\$62,385
FTE Staff Complement	338.8
REVENUES	\$1,205,957

Funding levels remain similar to the previous fiscal year with the following exceptions:

- \$4.0 million increase to the Ethanol Fuel Grant Program required for the expected expansion in ethanol production capacity in the Province
- \$1.0 million increase to meet federal/provincial commitments to the multi-year funding under the Western Economic Partnership Agreement (WEPA). This increase will leverage additional research & development funding through WEPA
- \$927,000 increase in third party funding to support tourism, trade and export development. The increase will be directed to increased development work in specific key tourism sectors and will build capacity to increase tourism dollars spent in the Province and increase competitive intelligence to expand on the existing potential for the export of Saskatchewan products
- \$860,000 to increase core storage capacity at the Geological Core Library. This expansion will handle the required storage of core drilling samples that will be accessible for examination by staff and industry to support the exploration and development activities in the Province
- \$660,000 increase in funding to further research and development to explore areas such as global warming, adaptation issues for the prairies resulting from warming trends, climate change issues and the Office of Energy Conservation

Transfers to third parties for 2005-06 are budgeted at \$28.3 million. This amounts to 48.4 per cent of total Department appropriation. The Department delivers its mandate through partnerships and funding programs for sustainable economic growth. With nearly half of its budget funding third party programs, this provides the flexibility to increase investment and grow the economy in key sectors with optimum benefit. Thrusts supported include:

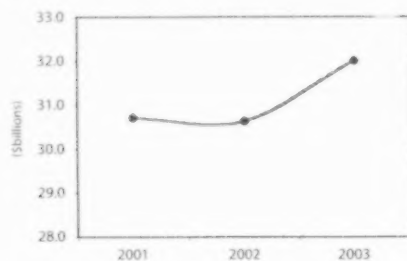
- tourism and export development (almost 18.2 per cent of total budget)
- exploration, research and new technology (almost 20.7 per cent of total budget)
- programs to support business and ethanol grant programs (almost 9.5 per cent of total budget)

Trends and Issues

The Department closely monitors a number of provincial economic trends. In general, the Department's efforts to promote and encourage economic development are observed in advances in the economic indicators shown below.

GROSS DOMESTIC PRODUCT

REAL GDP (\$BILLIONS)



Source: Statistics Canada, Provincial Accounts

Industry and Resources works to attract investment to Saskatchewan. Growth in an economy is measured in terms of real gross domestic product (GDP) and is one indication of expansion attractive to outside investment. In 2003, real GDP grew at a rate of 4.5 per cent, after a drop in 2001 (-1.8 per cent) and in 2002 (-0.3 per cent). The average annual real GDP growth rate over the last 10 years has been 2.2 per cent. Saskatchewan's 2003 GDP per capita was \$32,193, the third highest in Canada but lower than the Canadian average of \$36,629 (Source: Statistics Canada, Provincial Economic Accounts, GDP in Chained 1997 Dollars, November 2004).

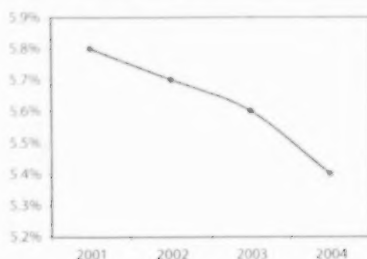
A preliminary estimate of real GDP in 2004 is expected from Statistics Canada in the spring of 2005. However, Saskatchewan Finance has forecasted provincial growth rates of 2.8 per cent for 2004 and 2.7 per cent for 2005 (Source: Saskatchewan Finance, 2004-05 Mid-Year Report, November 2004). The Conference Board of Canada (CBOC) estimates real GDP growth for Saskatchewan of 3.7 per cent in 2004 and forecasts 3.4 per cent in 2005 (CBOC Winter 2005 forecast).

EMPLOYMENT

In 2004, Saskatchewan recorded its highest annual average employment at 479,900. This exceeds the previous record set in 2003 by 4,500. Industry and Resources encourages employment growth in the economy through its programs of business counselling, investment attraction, and leadership in economic development policy and planning. The year 2005 started off with records for jobs on a year-over-year basis in both January and February. February 2005 was the eleventh straight month of record employment levels, when compared on a year-over-year basis. There were 11,400 more people employed in Saskatchewan in February 2005 than in February the year before (seasonally unadjusted) (Source: Statistics Canada, Labour Force Survey, February 2005).

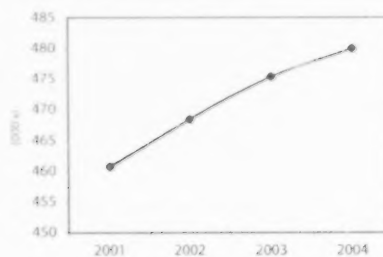
For 2005, the Conference Board is anticipating an employment increase of 7,000, while the Department of Finance is forecasting employment growth of 4,600 jobs this year (CBOC, Winter 2005; Finance, 2004-05 Mid-Year Report).

UNEMPLOYMENT RATE (%)



Source: Statistics Canada, Labour Force Survey

EMPLOYMENT (000's)



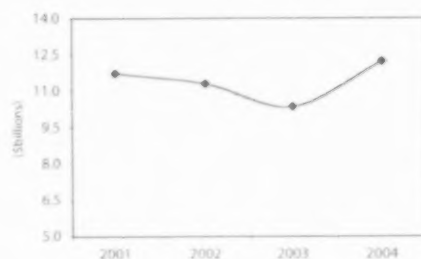
Source: Statistics Canada, Labour Force Survey

POPULATION

Saskatchewan's population as of October 1, 2004, was an estimated 996,194, an increase of 1,531 compared to October 1, 2003. Saskatchewan's population has now shown increases in four of the last five quarters, after dropping in each quarter since October 1, 1998. Although historically Saskatchewan's population has been relatively stable with periods of slight increases and slight decreases, the latest quarterly trends are encouraging. Trends in population and migration are indicative of economic stability and relate to the effectiveness of Industry and Resources programming. Saskatchewan's net interprovincial migration figures have been improving. Net out-migration peaked at almost 18,600 in 1989, and then dropped to a low of less than 1,900 in 1996, before rising again to almost 8,600 in 2001. In 2003, the net out-migration from the Province was 3,957, down from a loss of 7,431 in 2002 — a 46.8 per cent improvement. In the first three quarters of 2004, net interprovincial out-migration was 1,706, down from a loss of 3,224 in the first three quarters of 2003 — a 47.0 per cent improvement (Source: Statistics Canada, Saskatchewan Demographic Statistics, Population as of October 1, released December 21, 2004).

TRADE

EXPORTS OF GOODS (\$BILLIONS)



Source: Statistics Canada, Strategis, Trade Data Online

Industry and Resources affects the success of Saskatchewan businesses and products in external markets by its financial support of the Saskatchewan Trade and Export Partnership (STEP). Increased Saskatchewan business presence in export markets results from effective delivery of export assistance provided through STEP. World commodity prices for the Province's primary agriculture products, oil, gas and mineral products, as well as exchange rates and trade policies, have a significant impact on exports and the provincial economy. In 2003, such factors as the closure of the United States (U.S.)

border to exports of live cattle affected Saskatchewan's exports. Total international exports of goods in 2003 fell by 7.5 per cent to \$10.4 billion. However, in 2004, Saskatchewan's

international exports of goods increased by 18.2 per cent to \$12.2 billion, compared to the same period in 2003. Export values improved in agriculture, oil, potash and manufactured goods. (Source: Statistics Canada, Trade Data Online, Strategis website, February 2005)

INVESTMENT

Industry and Resources seeks to promote a healthy and viable economy in the Province by its work to attract investment in key sectors and industries. New capital expenditures in 2004 were an estimated \$7.5 billion, with the private sector accounting for nearly 80 per cent of the total. Capital investment intentions in 2005 were placed at \$8.49 billion, making it the ninth consecutive year in which new capital spending would exceed the \$6 billion mark (Source: Statistics Canada, Private and Public Investment Intentions, Table 032-0002, February 2005).

COMPETITIVENESS

Investment decisions are sensitive to access to markets, the availability of a skilled workforce, excellent infrastructure, and a favourable business climate.

Because the U.S. is our largest trading partner, the higher Canadian dollar vis-a-vis the US dollar places greater pressure on improving the productivity of our local production facilities in order to compete. The adoption of new technologies and best practices is an essential part of increasing the productivity of our industries.

Changes from 2004-05 Performance Plan

The Department has revised one objective in its 2005-06 plan. The reference to co-operatives has been removed from Goal 1 Objective 2 – "Facilitate business growth", in order to reflect the transfer of responsibilities for co-operatives to the new Department of Rural Development. Small Business Loans Associations (SBLA) and the Youth Opportunities Unleashed (YOU) programs, the Regional Economic Development Authorities (REDAs) program and regional business offices, with the exception of Regina and Saskatoon, were also transferred to the new Department.

Goals, Objectives, Actions and Measures

This section provides the detailed 2005-06 Performance Plan for Industry and Resources and sets out the Department's attention to three primary thrusts to increase economic activity in Saskatchewan. To achieve these goals, a number of objectives are established to support progress toward the broader goal statement. A set of key actions is provided under each objective that describes the main activities of the Department. A set of performance measures is also provided as a means of gauging progress toward achieving the stated objectives.

The first key responsibility for the Department is developing and promoting a positive business environment by sustaining existing enterprises and attracting new business to invest in our natural resources or other strengths. Department programs for economic development policy, economic promotion and for business counselling are intended to contribute to provincial economic development. Bilateral funding programs with the federal government, such as the Western Economic Partnership Agreement (WEPA) with Western Economic Diversification Canada, are intended to target both research and business development priorities including tourism, Aboriginal and resource sector endeavours. The results should be evident in increased employment and new enterprises in the Province, which is also influenced by our efforts to promote the Province as a place of opportunity in which to base a business.

A second thrust for the Department is managing the development of our mineral and energy resources for the benefit of all provincial residents. The focus of several of the Department's programs ensures optimal benefit is received from our rich natural resources. The Department undertakes programs and actions to stimulate extraction of non-renewable mineral and hydrocarbon resources. Several factors beyond provincial control affect the degree to which Saskatchewan resources are developed. However, the Department is able to exert some influence by maintaining tax, royalty and geoscience programs that encourage exploration and provide targeted incentives for development of new resource opportunities.

The third area of priority is the Department leadership of government efforts to shape and articulate energy policies including policies for the use and delivery of energy in the Province. The Department's work is important to provide confidence in long-term provincial energy supplies while also maintaining consistency with national efforts to address climate change as it co-ordinates the Saskatchewan response to federal climate change initiatives.

The key cost drivers that affect the financial assumptions used to develop the performance plan include variables in third party funding requirements that are external to the Department. The Ethanol Fuel Grant Program is particularly sensitive to external influences if the volume of ethanol produced in Saskatchewan rapidly increases and consumes the allocation. Moreover, the Invest in Saskatchewan program administering tax credits for the labour-sponsored venture capital investments is subject to the nature of the investment climate and individual investors'

perception of these instruments. As has been noted earlier, nearly one-half of the Department's budget is taken up in programs of grants or transfers to third party agencies. How quickly these funds are sought by applicants can affect how the Department achieves its overall plan.

It is anticipated that future plans will incorporate some different performance measures that will be better suited to measures of genuine progress more influenced by the Department's work. In the renewed plan and with the revised measures, the Department will strive to report progress on outcomes and outputs tied more closely to matters the Department influences or controls.

GOAL 1

A positive environment for business

OBJECTIVE 1 – *Increase the adoption of new technologies and best practices*

The adoption of new technologies and best practices is vital to long-term competitiveness and sustainability of Saskatchewan's industries. The Department encourages the development and application of new technologies and the adoption of best practices by making strategic investments in research, building infrastructure to support the development of new technologies and best practices, and by investing in technology and knowledge transfer initiatives.

The Department recognizes that the performance measure for this objective is the spending of matched dollars influenced by factors beyond the Department's control. A measure based on the processes by which the Department ensures appropriate administration of these funds may be possible.

Key Actions for 2005-06

- Fund the Saskatchewan Forest Centre.
- Provide funding through Western Economic Partnership Agreement (WEPA) to priority sector projects including development of new technologies.
- Support research in energy development, climate change and conservation through the Energy Sector Initiatives Fund.
- Fund specific research at the Petroleum Technology Research Centre.
- Provide market assessment and research technology initiatives through the Technology Commercialization Fund.
- Complete Strategic Sector Initiatives Fund investment in the Saskatchewan Intelligent Systems Technologies Program.
- Continue operation of the Saskatchewan Petroleum Research Incentive program.
- Continue promoting Lean Manufacturing principles with training workshops and establishment of Lean Manufacturing Consortiums.

What are we measuring?

Research and Development funding
leveraged from non-provincial government
sources through the WEPA

Where are we starting from?

\$41.8 million (cumulative)
[September 2003 – January 2005]

Non-provincial government includes federal government, higher education institution, business and non-profit organizations. This measure is influenced by resource decisions at the provincial and federal levels.

The Canada-Saskatchewan Western Economic Partnership Agreement (WEPA) is a five-year, \$50-million agreement designed to encourage economic development and growth in the Saskatchewan economy. Renewed in September 2003, this agreement is administered by Western Economic Diversification Canada and Industry and Resources.

OBJECTIVE 2 – Facilitate business growth

The Department helps to stimulate business growth by providing information and by working in partnership with the public and private sectors to deliver a comprehensive and accessible business support system.

Key Actions for 2005-06

- Provide information, assessment and pathfinding services to attract business investment.
- Benchmark and improve competitiveness in key sectors of the economy.

What are we measuring?

Under development

Where are we starting from?

Under development

OBJECTIVE 3 – Increase employment in priority sectors

Employment in Saskatchewan's priority sectors is driven largely by the demand for the goods and services exported from the Province. While a wide variety of variables affect consumer decisions to purchase Saskatchewan-made products and services, the Province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place to invest.

The Department is working to develop meaningful measures that report its influence on priorities beyond its program expenditures. Viewed broadly, macro-economic measures of employment by sector may be informative but are not always indicative of the Department's specific involvement with a particular sector, industry or firm.

Key Actions for 2005-06

- Develop key sector projects to increase investment and employment.
- Increase third party operating funding for Saskatchewan Trade and Export Partnership (STEP) to assist new exporters and to increase analysis of new markets.
- Lead forest product development through pathfinding, business plan development and feasibility analysis.
- Ensure new forest allocations provide for Aboriginal equity participation in the project.
- Develop sector-specific investment attraction materials to promote Saskatchewan in international markets.

What are we measuring?

Under development

Where are we starting from?

Under development

OBJECTIVE 4 – Improve the perception of Saskatchewan as a place of opportunity

While Government is not solely responsible for the Province's image and how people (both within the Province and outside) perceive the opportunities here, government has a significant role to play in communicating the Province's strengths and building optimism and pride in the Province's capabilities. A positive image does have an economic consequence in that optimism is likely to generate additional in-province investment and business expansion.

Key Actions for 2005-06

- Contribute to Centennial celebrations through in-province initiatives promoting Saskatchewan achievements in business and science and opportunities in the future.
- Hold out-of-province Centennial-related events to promote Saskatchewan to key business stakeholders.
- Expand expatriates component of the Ambassador Program in 2005-06 through its quarterly Ambassador e-zine and Centennial-related events.
- Increase third-party operating funding to Tourism Saskatchewan marketing initiatives to generate increased visitor spending in Saskatchewan.
- Lead Team Saskatchewan trade mission planning and development.
- Lead or partner on in-province promotional activities during Opportunities Week in May 2005.
- Promote Saskatchewan as a good place to do business and establish a career to youth.
- Co-ordinate the U.S. embassy/consulate contact program.

What are we measuring?

Percentage of Saskatchewan residents, in polling, who agree with the statement: "Saskatchewan is a great place in which to live, work, and do business"

Where are we starting from?

48.4% Agree strongly
41% Agree somewhat
[June 2003]

This is an omnibus polling question and has been used for the past year for our strategic plan.

GOAL 2*Optimal development of energy and mineral resources***OBJECTIVE 1 – Optimized energy and mineral exploration**

Increasing the amount of exploration will lead to optimal development of the Province's resources. However, some of the factors that affect exploration activity (commodity prices, interest rates and exchange rates) are beyond the Department's influence. The Department can influence exploration by providing geoscientific information on energy and mineral resources and by providing a competitive investment climate.

The performance measures for this objective are realistic in comparing Saskatchewan performance against valid national and western comparators, but the data is subject to about a two-year time lag. Saskatchewan's large potential for uranium deposits dominate a national comparison of mineral exploration, and this is accounted for in the measure below. Likewise, Saskatchewan's place in oil and gas exploration is relative to the size of its resource base, which is acknowledged to be smaller than that of Alberta.

Key Actions for 2005-06

- Improve geoscientific information to reduce industry's risk.
- Continue the prospector incentive program and the Mineral Exploration Incentive Program.
- Modify the mineral exploration tax credit.
- Expand the Sub-surface Geological Core Library to ensure new core and drill cutting samples are stored and made available to industry for economic potential assessment/research.
- Enhance imaging system to address both well logs and mineral assessment files.
- Review and resolve regulatory issues that constrain development.
- Review current and/or develop and implement new tax incentives for the uranium, potash and coal sectors.
- Continue development of a diamond sector royalty structure.
- Develop a policy framework for natural gas in coal that ensures sound environmental practices.

- Review the provisions of *The Oil Shale Regulations* and consult with industry on possible amendments.

What are we measuring?

Saskatchewan's share of non-uranium mineral exploration

Where are we starting from?

3%
[2002 estimate; latest data available]

The measure indicates the health of the mineral exploration industry. The Department can influence the amount of exploration through geoscience programs, incentives and maintaining the general business climate.

What are we measuring?

Saskatchewan's share of Western Canadian conventional oil and gas exploration and development expenditures

Where are we starting from?

8.2% (estimated)
[2004]

Canada's oil and gas industry is quite varied and Saskatchewan really only competes for investment related to conventional operations in Western Canada. An indicator of how well the Province is competing for the investment dollars available is to track the industry's investment in Saskatchewan as a percentage of the total amount spent on conventional exploration and development in all of Western Canada.

OBJECTIVE 2 – Increased oil and gas recovery rates

The Department can influence the amount of oil and gas recovered primarily by reviewing the royalty and tax structures to ensure they are competitive and by providing information and new technologies. Other factors, such as prices and specific geological conditions within a reservoir, are beyond the control of the Department.

The measure of oil and gas recovered through enhanced oil recovery (EOR) designated reservoirs is a good means by which to gauge the Department's effectiveness in maintaining a competitive royalty and tax structure. To that end the Province announced, in March 2005, major tax and royalty changes aimed at expanding EOR production in the Province.

Key Actions for 2005-06

- Implement approved changes to fiscal provisions for Enhanced Oil Recovery (EOR) stemming from the review of EOR opportunities and constraints in the Province.
- Host (in 2005-06) and co-sponsor with North Dakota (in 2006-07) the annual Williston Basin Petroleum Conference.

What are we measuring?

Percentage of oil produced in the Province due to the implementation of enhanced oil recovery projects (EOR) excluding waterflood projects

Where are we starting from?

9.3% (estimated)
[2004]

The measure reflects the use of technologies to extract more oil from existing oil reservoirs. The Department can influence EOR activity to some extent through its EOR royalty/tax system and can influence R&D efforts through the operation of the PTRC and research incentive programs.

OBJECTIVE 3 – Optimized benefits from resource development

The Department administers Crown mineral rights that industry acquires in order to explore and develop provincial resources and provides a competitive royalty and tax structure. Through these functions, the Department can ensure optimal development of resources while protecting the Province's interests.

The performance measure used here is a combination of Saskatchewan's mineral rights sales and royalty/tax systems. It is intended to reflect the capture of a fair share of the revenue from resource development. The Department encourages continued investment in and development of resources by ensuring a fair return to those who extract Crown resources but acknowledges the provincial status as a "price taker" subject to market conditions outside our control. Thus, a three-year rolling average is used to reflect this variability in prices.

Key Actions for 2005-06

- Promote broader use of electronic data submissions and payment processes by oil companies.
- Focus enhanced mineral audit capability to address risks and opportunities.
- Ensure the Province's ability to meet mandated requirements for ethanol-blended fuels in grants to producers under the Ethanol Fuel Grant Program.

What are we measuring?

Percentage of the oil and gas industry's annual revenues paid to the Crown through mineral rights sales and royalty/tax systems

Where are we starting from?

23% (estimated)
[3 year average 2002-04]

GOAL 3

Responsible use and delivery of energy in Saskatchewan

OBJECTIVE 1 – Access to reliable and competitively priced energy

The Department does not directly provide natural gas or electrical power or construct or operate transmission and distribution systems to distribute energy in Saskatchewan. Rather, its role is to analyse and make recommendations on Saskatchewan's energy policy, including electricity market developments and pipeline regulation.

This has been a stable and reliable measure of the provincial electricity market but is not reflective of the Department's efforts to shape a comprehensive Saskatchewan energy policy.

Key Actions for 2005-06

- Increase participation by wholesale energy suppliers in Saskatchewan's wholesale electricity market.
- Participate in SaskPower's Open Access Transmission Tariff Customer Dialogue group.
- Work with SaskPower and Saskatchewan Environment on environmental and energy policy issues.
- Pursue expanded interprovincial transmission capacity through collaboration studies with federal, provincial and territorial governments.

What are we measuring?

Number of electricity market participants in Saskatchewan

Where are we starting from?

4
[2004]

The number of market participants (and the relative market share of the suppliers to the wholesale market) in the Province is an indirect measure of the competitiveness of electricity policy in Saskatchewan. In 2001, an Open Access Transmission Tariff (OATT) was introduced in Saskatchewan, which will enable greater competition in the Province's wholesale electricity market by providing access to SaskPower's transmission grid.

OBJECTIVE 2 – Balanced response to climate change

The Department has a role to play in ensuring the Government has a balanced response to climate change issues, which includes working with public and private sector players to develop an action plan, analyse the implications and costs, and by supporting initiatives that are creating solutions to the climate change problem.

Until the foregoing is more defined, a performance measure relative to climate change remains under development. The Department monitors overall emissions relative to real GDP but found this is not reflective of government actions and responses to climate change.

Key Actions for 2005-06

- Work with Saskatchewan Environment and other departments, agencies, and Crown corporations to complete development of the provincial climate change plan and implement approved initiatives that effectively use climate change funding.
- Develop, in consultation with the Office of Energy Conservation and other departments and agencies as appropriate, a new energy strategy for Saskatchewan.
- Continue support for the Prairie Adaptation and Research Collaborative, the International Energy Agency Weyburn CO₂ monitoring and storage project, and the International Test Centre.

What are we measuring?

Under development

Where are we starting from?

Under development

OBJECTIVE 3 – Environmental protection and public safety

The Department has a role in licensing, inspecting and setting guidelines for the drilling and operation of oil and gas wells, and regulating seismic activity. This regulatory activity puts the Department in daily contact with the industry in providing timely and effective services, and in addressing problems that might arise between the industry and landowners and local governments. The Department shares this responsibility with Saskatchewan Environment and Saskatchewan Labour (Occupational Health and Safety unit).

This is a measure drawn from internal sources and indicates compliance with operating and environmental regulations. However, the measure relies on some factors beyond the control of the Department in that there is no current means to forecast or control the frequency or manner of oil or gas spills.

Key Actions for 2005-06

- Finalize the regulatory provisions pertaining to the orphan well and facility program.
- Participate in planned interdepartmental review of Manitou Sand Hills land use plan.
- Participate in provincial watershed planning exercise led by the Saskatchewan Watershed Authority.

What are we measuring?

Number of oil and gas spills reported per
1,000 wells

Where are we starting from?

17.4 (estimated)
[2004]

The number of oil and gas spills per 1,000 wells is an indicator of the industry compliance with operating and environmental regulations. The Department inspects and monitors the operation of oil and gas wells and prepares monthly reports. As wells and facilities age and water production increases, there is greater chance for equipment failures and spills to occur. The tendency would be for the number of spills to trend upward; a status quo trend would indicate that the Department's efforts are having an impact.

For More Information

This report provides information about our accomplishments and our future plans. If you have any questions or comments, or would like additional copies of the plan, we invite you to call (306) 787-8277.

Or contact:

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Or send us an e-mail through our website: www.ir.gov.sk.ca

Additional Resources/websites:

Saskatchewan Trade and Export Partnership - www.sasktrade.sk.ca
Tourism Saskatchewan - www.sasktourism.com